Micro-Economic Monitor

First Quarter, 2000

Micro-Economic Analysis Directorate, Industry & Science Policy Sector, Industry Canada.
This document is also available on the Internet at http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/04.html

100-07350/

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Overview

Strong growth early in 2000...

Robust growth in net exports and domestic demand boosted output growth to 4.9% (annual rate) in the first quarter of 2000. This strong result follows an upwardly-revised growth rate of 4.5% for 1999 as a whole.

- A sharp rise in exports was a major factor behind the first-quarter surge in output, leading to a swing from a deficit to surplus position on Canada's current account.

- Domestic demand was also solid in the first quarter, propelled by the second straight sharp increase in business investment. Household demand was firm, with consumer spending and residential construction both posting healthy advances.

...drops the unemployment rate to a 24-year low

While the pace of job creation has slowed from last year, job gains have more than kept pace with increases in the labour force in the first five months of 2000. As a result, Canada's unemployment rate fell to 6.6% in May, the lowest since 1976.

- Higher incomes have stabilized household finances, and should support consumer spending through the rest of the year despite recent hikes in interest rates.

Corporate profits advanced solidly in the first quarter. Combined with high rates of capacity utilization, this points to continued healthy growth in investment.

Strong underlying economic fundamentals bode well for continued strong growth in the Canadian economy. The most recent consensus forecasts projects growth of 4.4% overall in 2000.

Domestic Scene

Real Economic Activity

The economy begins 2000 on a strong note...

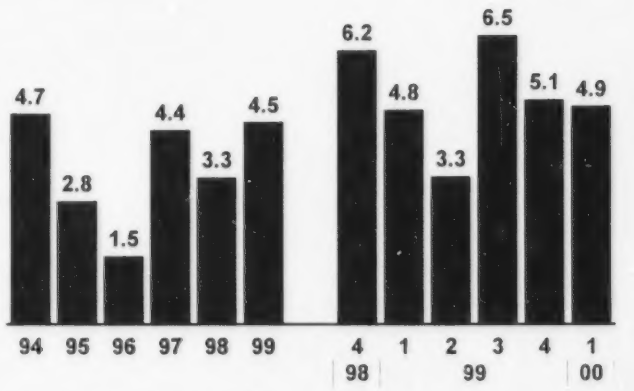
Real GDP rose 4.9% (annual rate) in the first quarter of 2000, building on the solid gains of last year. This 19th straight increase in quarterly output represents the longest consecutive string of gains since the 1960's.

- Growth was broad-based, with strength in net exports and domestic demand.

Output growth for 1999 is revised upward by Statistics Canada to 4.5%, compared to an original estimate of 4.2%.

Real GDP Growth

% Change, SAAR



Source: Statistics Canada

...supported by surging exports...

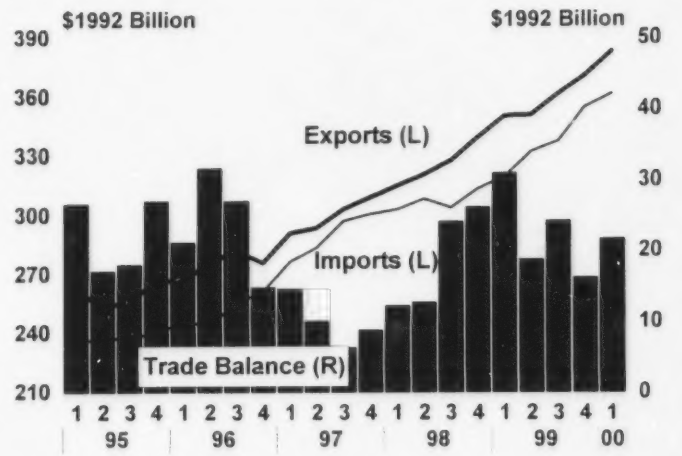
Real exports of goods and services rose 13.9% (annual rate) in the first quarter. This sharp increase was boosted by strong growth in exports of M&E (notably telecommunications equipment and aircraft products), Automotive Products and Energy Products (mainly crude petroleum).

Real imports grew at healthy but slower pace than exports (7.9% annualized). Major gains were registered for imports of M&E and Industrial Goods & Materials, both associated with the strong demand for investment.

With export growth outpacing import growth, Canada's real trade surplus rose $5.5 billion to $21.6 billion.

- This increase represents just over half of the total output gain in the first quarter.

Real Exports and Imports of Goods & Services



Source: Statistics Canada

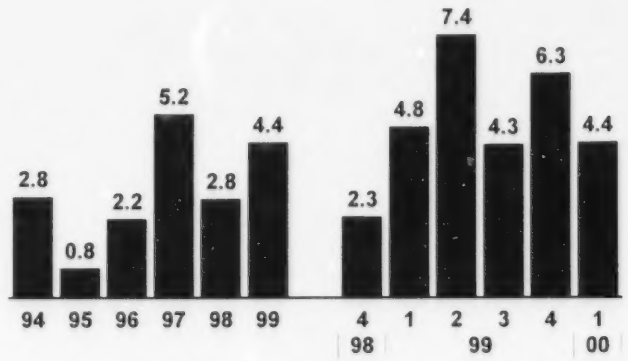
...and vigorous domestic demand

Final domestic demand advanced 4.4% (annual rate) in the first quarter, matching the same solid pace recorded for 1999 as a whole.

- Domestic demand was boosted by particularly-sharp gains in business investment in plant and equipment and residential construction. Consumer spending also grew at a healthy pace.

Final Domestic Demand

% Change, SAAR



Source: Statistics Canada

While consumer spending slows to a more sustainable pace...

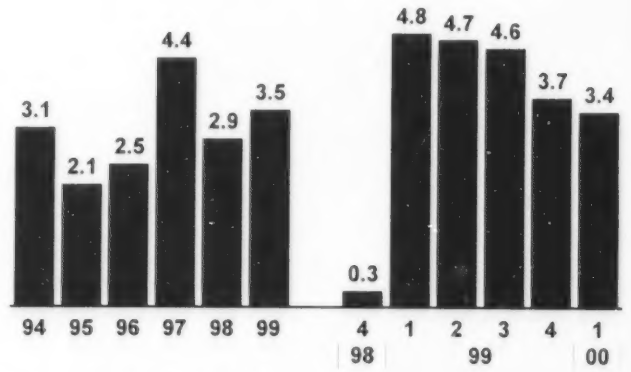
Consumer spending rose 3.4% (annual rate) in the first quarter, the smallest quarterly increase since the end of 1998.

- Purchases of durable and non-durable goods remained strong, while a high volume of financial market activity boosted expenditures on financial, legal and other services.

Although consumer confidence retreated slightly from its fourth-quarter level, strong gains in personal income should support further increases in household spending.

Real Consumer Expenditure Growth

% Change, SAAR



Source: Statistics Canada

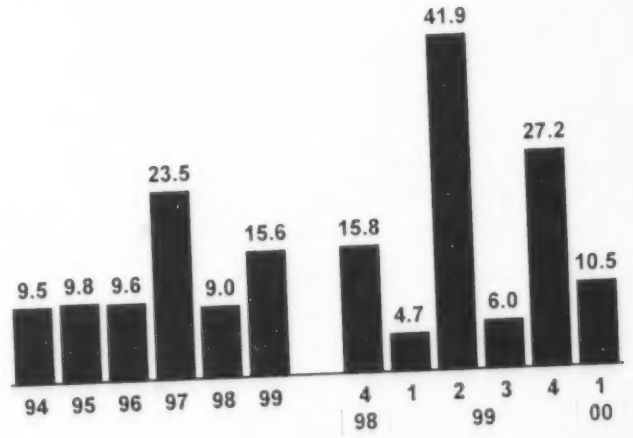
...M&E investment rises further on top of a strong 1999...

Business investment in M&E advanced a solid 10.5% (annual rate) in the first quarter of 2000, building on sharp gains in the previous year.

- Higher spending on computers and other office equipment accounted for more than half of the first-quarter advance in M&E investment.

Real Machinery & Equipment Investment

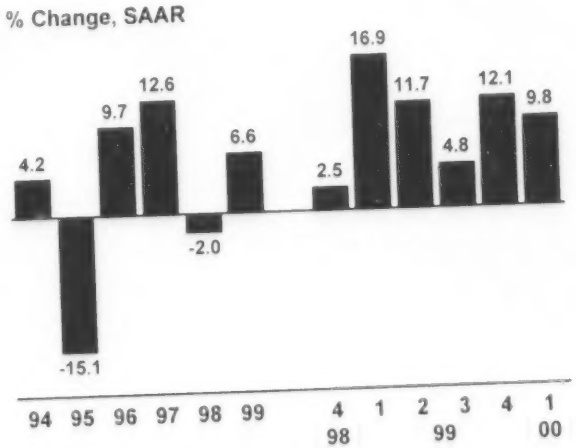
% Change, SAAR



Source: Statistics Canada

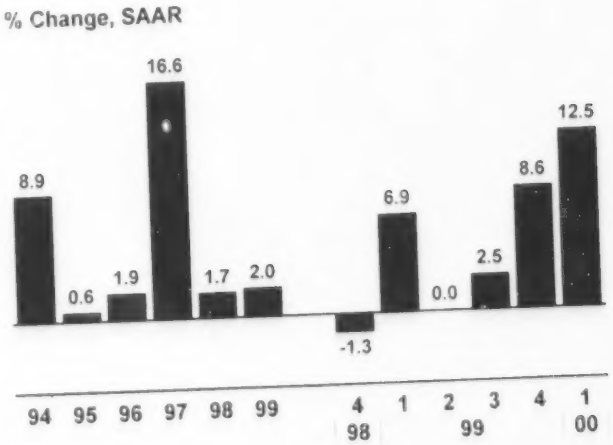
...construction activity remains strong...

Real Residential Construction Growth



Source: Statistics Canada

Real Non-residential Construction Growth



Source: Statistics Canada

Residential Construction rose 9.8% (annual rate) in the first quarter of 2000, led by increased renovation activity and higher sales of existing homes. Construction of new housing also advanced, though at a slower pace than in the previous quarter.

Investment in Non-residential Construction rose a robust 12.5% (annual rate) in the first quarter. Gains were concentrated in engineering construction, as higher prices for crude oil provide a boost to activity in the oil and gas sector.

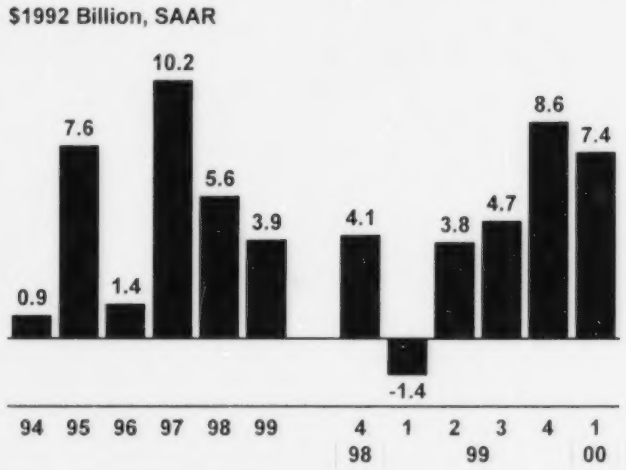
...and firms continue to invest in inventories

Business investment in non-farm inventories totalled $7.4 billion in the first quarter of 2000, down slightly from the previous quarter.

- The inventory build-up was balanced, with accumulations in Manufacturing and Wholesale & Retail Trade.

Although inventory investment has been strong over the past year, sales have been growing even faster, resulting in a slight drop in the economy-wide stock/sales ratio.

Non-farm Business Inventory Investment



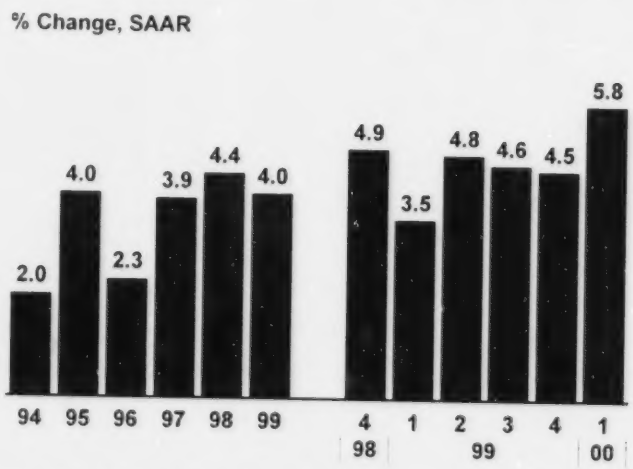
Source: Statistics Canada

Domestic Scene

Income Side

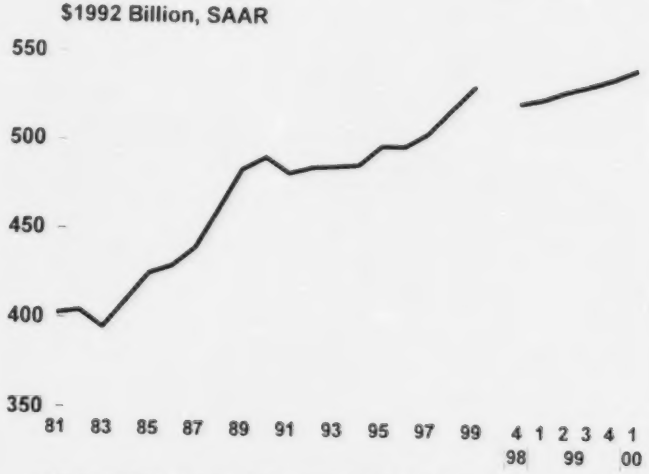
Growth in personal income picks up...

Growth in Personal Income



Source: Statistics Canada

Real Personal Disposable Income*



*Converted to real dollars using the chain price index for personal expenditure on goods and services.
Source: Statistics Canada and Industry Canada

Personal income rose 5.8% (annual rate) in the first quarter of 2000. An increase of 7.8% in labour income, the biggest quarterly gain since the late 1980s, provided a strong boost to total income growth.

After adjusting for inflation, personal disposable income advanced an annualized 4.0% in the first quarter, the sixth straight quarter of solid growth.

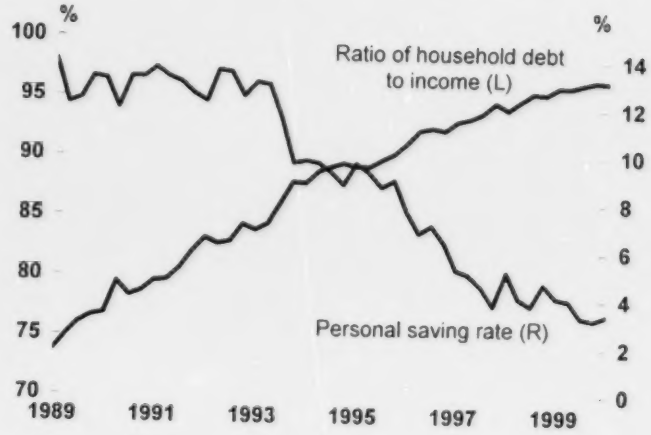
...stabilizing the condition of household finances

Recent income gains have halted the deterioration in household finances that was evident throughout the 1990s.

After falling to its lowest level on record at the end of 1999, the personal saving rate edged up 0.2 points to 3.4% in the first quarter of 2000.

Income rose at a slightly faster pace than consumer and mortgage debt levels, reducing the household debt-to-income ratio to 96.3%, down from an all-time high of 96.4% in the fourth quarter of 1999.

Personal Debt and Savings Rate

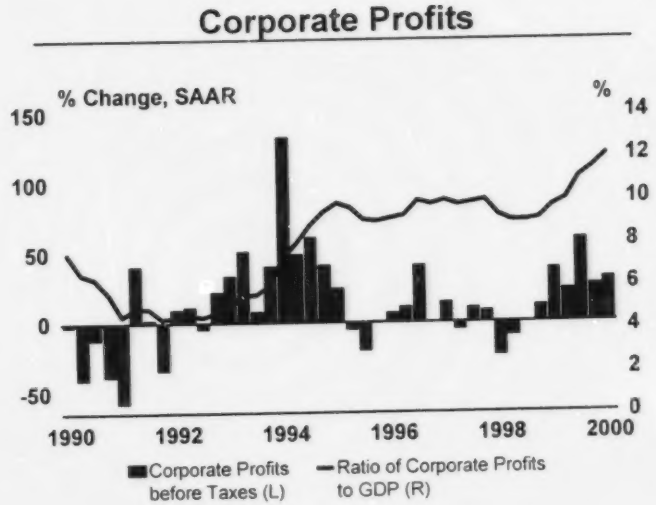


Source: Statistics Canada

Corporate profits continue to surge

Corporate profits surged 31.5% (annual rate) in the first quarter of 2000. This is the sixth consecutive solid increase in profits following a period of weakness in the first half of 1998.

- Profits rose to just over 12% of GDP for the first time since 1980.



Source: Statistics Canada

Domestic Scene

Price Movements

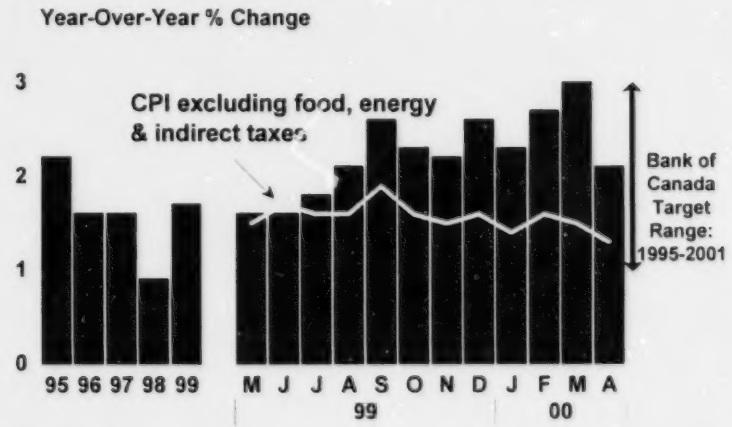
Inflation rises to 3% before falling back in April...

Higher energy prices pushed up consumer prices over the first three months of 2000. CPI inflation averaged 2.7% in the first quarter.

From a peak of 3.0% in March – the highest rate since 1995 – inflation fell back to 2.1% in April, owing to a more moderate year-over-year rise in energy prices.

The "core" inflation rate – excluding the volatile food and energy components as well as the impact of indirect taxes – was 1.3% in April, within the bottom half of the 1-3% target range set jointly by the Bank of Canada and Department of Finance.

Consumer Price Index



Source: Statistics Canada & Bank of Canada

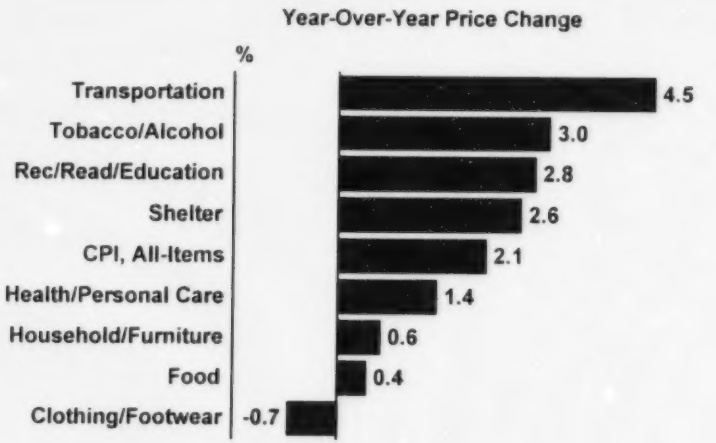
...driven up mainly by higher energy prices...

Higher energy costs – notably for gasoline, natural gas and heating oil – account for about half of the annual increase in the general price level in April.

- **Excluding energy, the CPI was up only 1.1% in April (compared to 2.1% including energy).**

Increased costs for mortgage interest and food purchased in restaurants also contributed to higher consumer prices on a year-over-year basis. Lower prices for fresh produce, computer equipment and autos put downward pressure on inflation.

Components of CPI: April 2000



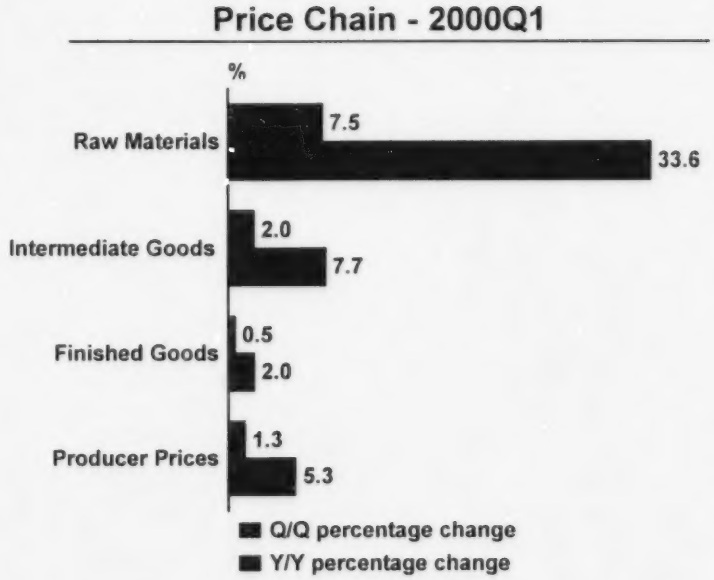
Source: Statistics Canada

...especially for crude oil

The price of raw materials was 33.6% higher in the first quarter of 2000 compared to a year ago. This is the biggest increase on record, with data extending back to 1981.

- **A sharp rise in the price of crude oil, which is nearly double that of last year, is the main factor behind this increase.**

On a year-over-year basis, industrial product prices – those received by producers at the factory gate – were up 5.3% in the first quarter, the biggest increase in over four years. Much of this increase is due to the surge in oil prices, but higher prices for primary metal products also contributed.



Source: Statistics Canada

Domestic Scene

Labour Situation

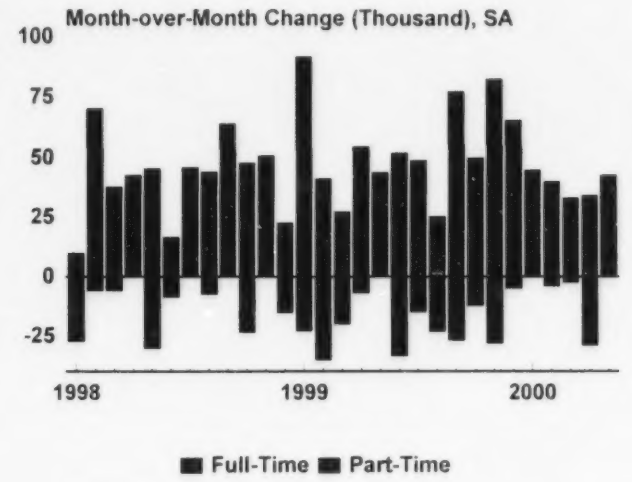
Job growth continues in 2000...

There has been a net gain of 157,000 jobs in Canada over the first five months of 2000.

- This represents a slight deceleration in the pace of job creation compared to 1999, when employment increased by 427,000 overall.

Last year, full-time employment accounted for all net job gains, as the number of part-time jobs was down. Over the first five months of 2000, however, job growth has been split between full-time positions (+104,000) and part-time work (53,000).

Employment Growth



Source: Statistics Canada

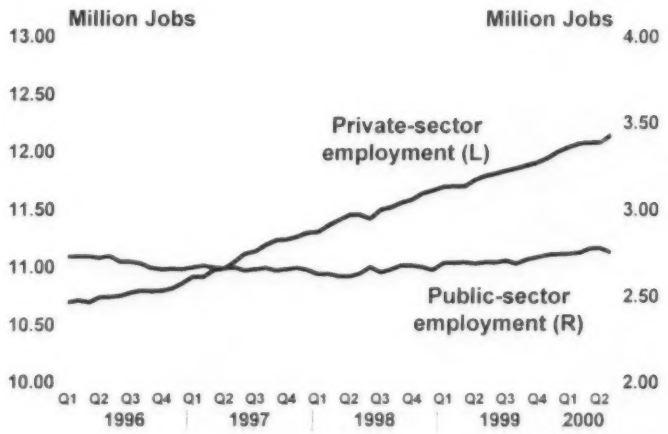
...led by gains in the private sector...

After several years of stagnant or even falling employment levels, growth in public sector employment has picked up since the beginning of 1990.

Still, the private sector remains the main source of new jobs in the economy. Private-sector employment was up 215,000 in the first five months of 2000.

- **After expanding by 91,000 in 1999, employment in the public sector rose a further 13,000 in the first five months of 2000.**

Employment: Private vs. Public



Source: Statistics Canada

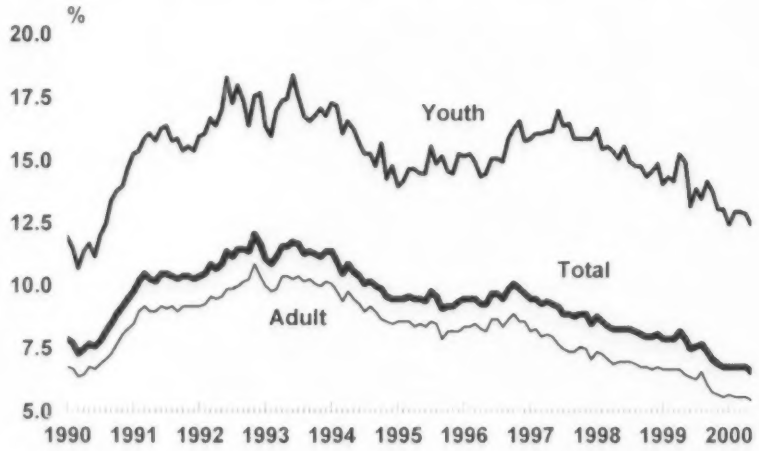
...and dropping the unemployment rate to a 24-year low

Employment gains so far this year have lowered the national unemployment rate to 6.6% by May 2000, its lowest level since March 1976.

- **Prior to this, the unemployment rate had held steady at 6.8% from January to April, as employment gains were matched by a higher labour force.**

The youth unemployment rate was 12.5% in May, down 0.6 percentage points from December 1999. The adult unemployment rate edged down from 5.6% to 5.5% over the same period.

Unemployment Rates



Source: Statistics Canada

Employment is up in every province, except Newfoundland...

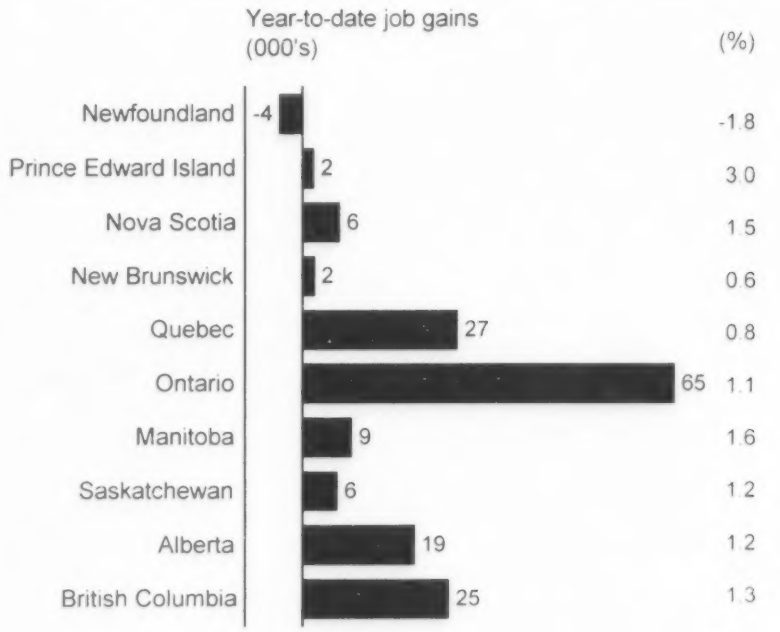
All provinces except Newfoundland have recorded net employment gains over the January-May period.

Just under six of every ten new jobs created this year have been in Central Canada. Ontario's job growth has been supported by a buoyant Manufacturing sector, while Trade and Health Care & Social Assistance have boosted employment growth in Quebec.

In percentage terms, P.E.I., Manitoba and Nova Scotia recorded the fastest growth overall in the first five months of 2000.

Job losses in Newfoundland total 4,000 from January to May, and have been centred in the Goods-producing industries.

Employment Growth by Province (January to May 2000)



Source: Statistics Canada

...while unemployment rates are lowest in Manitoba and Alberta

On a provincial basis, the lowest unemployment rates were in Manitoba (4.6%) and Alberta (4.7%) in May.

Unemployment rates are down in six of ten provinces on a year-to-date basis.

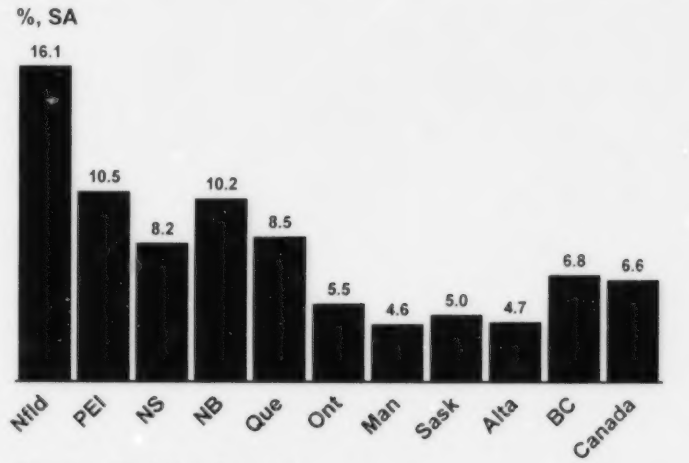
The biggest increase in unemployment rates was in Newfoundland (+2.0 points to 16.1% in May), where the impact of job losses has been compounded by increases in the labour force.

A strong rise in the labour force more than offset higher employment in Quebec, raising its unemployment rate 0.4 points to 8.5%.

Unemployment rates were unchanged on a year-to-date basis in New Brunswick (10.2%) and Ontario (5.5%), as employment growth was matched by a higher labour force.

Unemployment rates fell in all other provinces.

Unemployment Rates: May 2000



Source: Statistics Canada

Domestic Scene

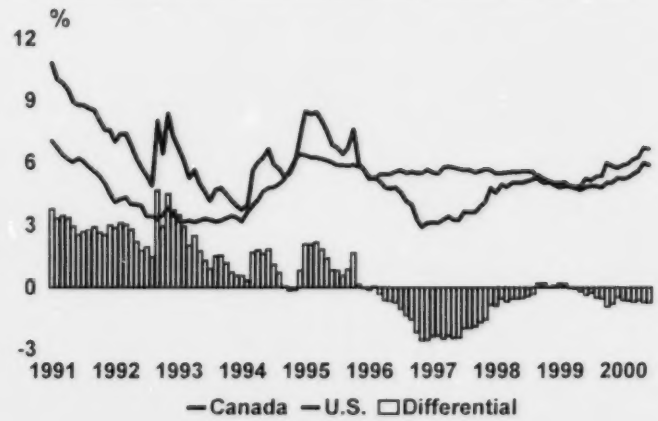
Financial Variables

The Bank of Canada raises interest rates...

The Bank of Canada raised its trend-setting Bank Rate by 50 basis points on May 17, matching a similar move by the U.S. Federal Reserve. Given rate increases in February and March, the Bank Rate is now up one full percentage point from the end of 1999.

With Canadian and U.S. short-term interest rates rising in step, the gap between Canadian and U.S. rates has held steady throughout the year, closing at 74 basis points in Canada's favour on June 7.

Short-Term Interest Rates



Last data point plotted: June 7, 2000

Source: Bank of Canada, 90-day Commercial Paper, last Wednesday in the month

...but long yields trend lower in the first half of 2000

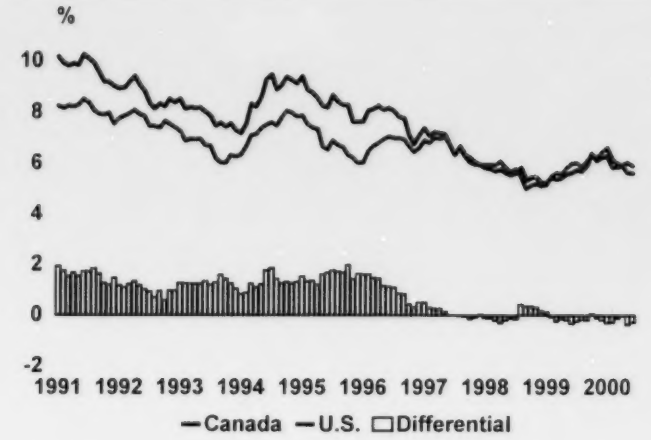
Inflation fears pushed up North American bond yields last year, but long rates have trended down in the first half of 2000.

- **Expectations that recent increases in short-term interest rates will be sufficient to contain inflation have put downward pressure on bond yields.**

- **The supply of bonds has also fallen, as budget surpluses in both Canada and U.S. allow for some retirement of government debt.**

As of June 7, Canadian long rates were 30 points below comparable U.S. rates.

Long-Term Interest Rates



Last data point plotted: June 7, 2000

Source: Bank of Canada, Government long-term bond, last Wednesday in the month

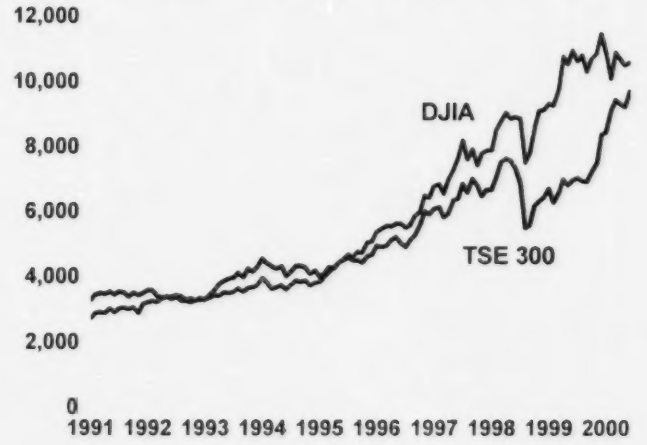
And while Canadian stock markets continue to climb...

Canadian stock prices continued to climb through the first half of 2000, building on impressive gains in 1999.

The TSE 300 index rose to just under 10,000 by June 9, bringing total gains over the last seven months to 33%. The high-tech and financial sectors have been behind this strong performance, offsetting declines in more traditional sectors.

Canadian stocks have significantly outperformed the major U.S. indexes so far in 2000. For example, while the TSE 300 is up 33% since last November, the Dow Jones is at roughly the same level.

Stock Market Indices



Last data point plotted: June 9, 2000

Source: Statistics Canada

...the dollar loses ground

After gaining roughly 4 cents over the course of last year, the Canadian dollar has drifted lower in the first half of 2000, weakened by interest rate concerns and a global preference for the safety and higher yields of U.S.-denominated assets.

As of June 9, the dollar had gained back nearly two cents since bottoming out at US66.19¢ on May 24.

Although interest rate concerns still pose a downside risk to the Canadian dollar, the strong economy, firm commodity prices and a solid fiscal situation should provide support for the dollar in coming months.

Canada-U.S. Exchange Rate

Last data point plotted: June 9, 2000

Source: Bank of Canada

Domestic Scene

Fiscal Track

The federal budget remains in the black

The federal government posted back-to-back surpluses of $3.5 billion in 1997-98 and $2.9 billion in 1998-98.

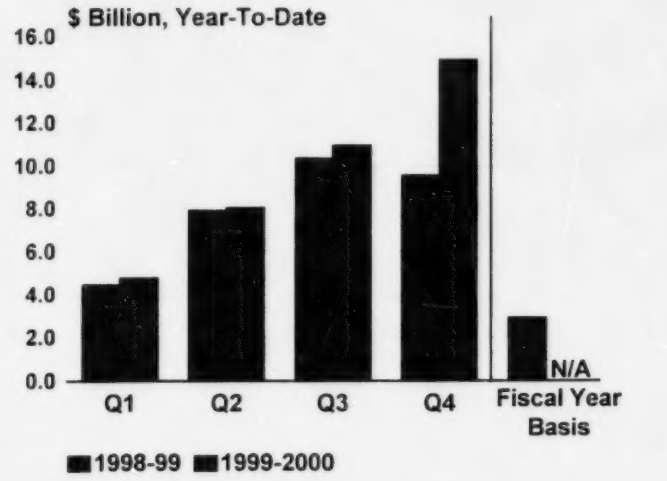
In the 1999-2000 fiscal year, prior to end-of-year accounting adjustments, the government recorded a surplus of $14.9 billion.

- **Liabilities associated with the $2.5 billion cash supplement to the Canada Health and Social Transfer and other late-year spending adjustments will lower this surplus somewhat.**

- **By the accounting standards used in the U.S. and most other countries, the federal government posted a financial surplus of $16.1 billion last year.**

Along with the federal government, six provinces and one territory are expected to post balanced budgets or surpluses in the 1999-2000 fiscal year.

Federal Budgetary Balance



Source: Department of Finance

Domestic Scene

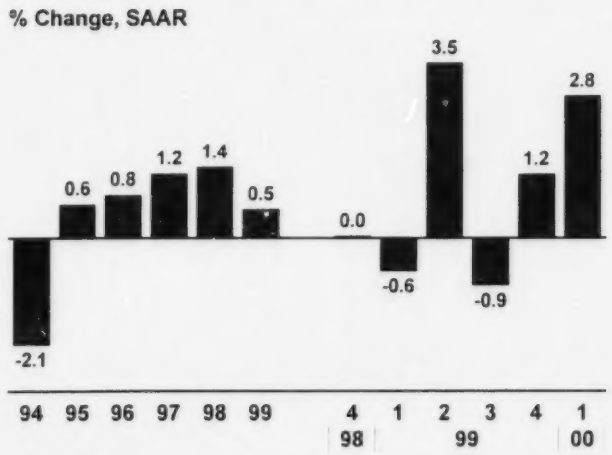
Competitiveness

Higher unit labour costs in the first quarter...

Unit labour costs rose 2.8% (annual rate) in the first quarter of 2000.

- **The annualized 7.8% increase in the total wage bill - the strongest quarterly advance since the late 1980s - exceeded the 4.9% rise in total output.**

Growth in Unit Labour Costs



Source: Industry Canada calculations

...and a firmer dollar reduce Canada's competitive position

The competitive position of Canadian firms improved relative to U.S. firms in 1999. However, in the first quarter of 2000 Canada's competitiveness slipped somewhat.

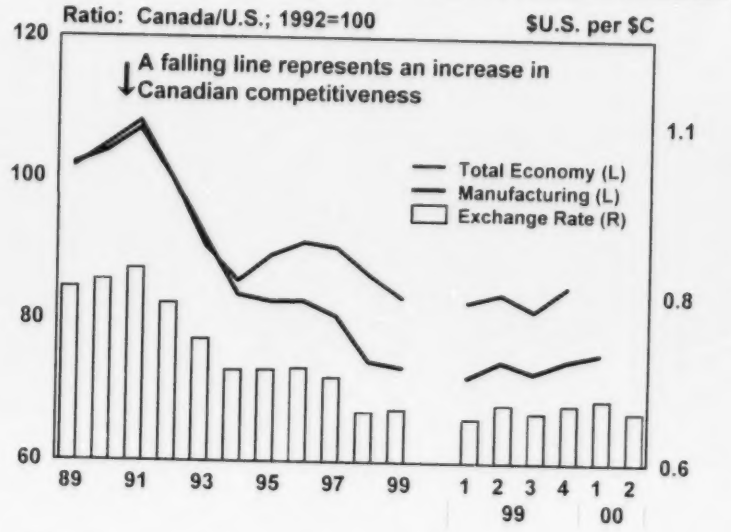
At the economy-wide level, and on a common currency basis, unit labour costs rose 1.2% in Canada relative to those in the U.S.

- This was due mainly to a stronger Canadian dollar, which gained roughly one cent on the quarter.

- Unit labour costs also rose slightly faster in Canada than in the U.S. over this period.

The dollar weakened early in the second quarter, which may help offset some of this decline in competitiveness.

Unit Labour Cost Comparison ($US)



Note: Quarterly manufacturing ULC for 2000Q1 are not yet available.
Source: Industry Canada estimates based on data from the U.S. Bureau of Labor Statistics & Statistics Canada

Domestic Scene

International Accounts

The current account swings strongly into surplus in the first quarter ...

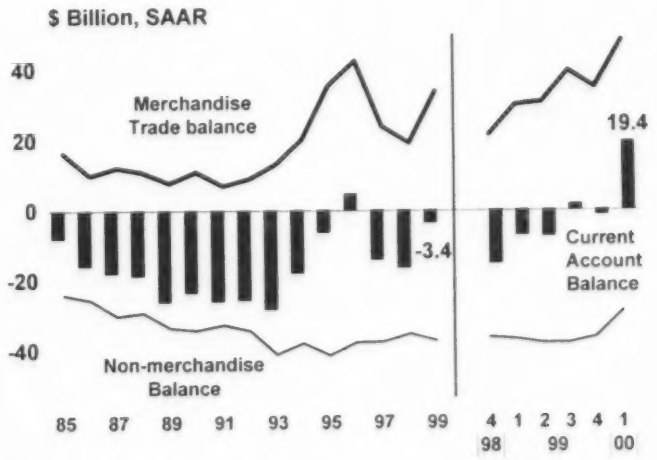
After posting a small $3.4 billion deficit overall in 1999, Canada recorded a current account surplus of $19.4 billion (annual rate) in the first quarter of 2000.

- **This sharp improvement was due mainly to a significant upturn in Canada's merchandise trade surplus, which reached $48.2 billion in the first quarter.**

On the capital and financial account, Canadians invested a record amount in foreign securities in the first quarter (for the second straight period). Foreign holdings of Canadian equities were also at a record level, although holdings of Canadian bonds fell.

Canadian companies posted $13.0 billion in direct investment abroad, the third highest on record. This significantly exceeds the $4.4 billion received by domestic firms in foreign direct investment, which dropped from very high levels in the previous three quarters.

Current Account & Trade Balances



The merchandise trade balance represents net exports of goods.

The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

Source: Statistics Canada

...due to a big jump in the merchandise trade surplus

While all major components improved in the first quarter, much of the swing to a strong surplus in Canada's current account can be attributed to a sharp rise in the merchandise trade surplus.

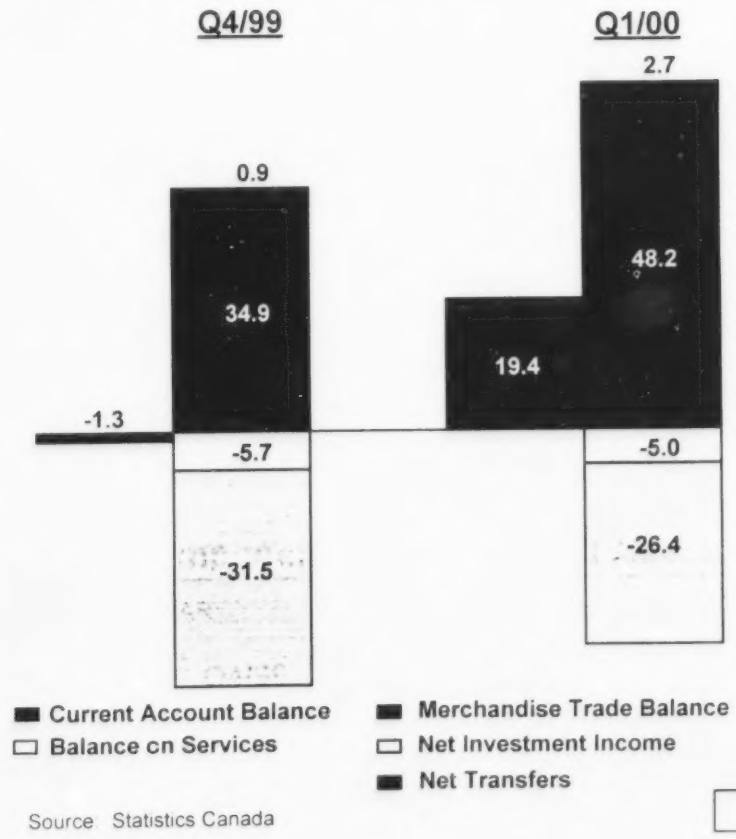
- The first quarter's trade surplus of $48.2 billion (annual rate) is just short of the all-time high set in 1996.

The deficit on investment income narrowed, reaching its lowest level in nearly three years. Profits on Canadian direct investment abroad rose while earnings on foreign direct investment in Canada fell.

The deficit on trade in services was also down, with the deficit on travel falling to its lowest level since the Expo-related surplus of mid-1986.

Main Components of the Current Account

$ Billion, SAAR



Source: Statistics Canada

I-2

Exports advance strongly in the first quarter of 2000...

Merchandise exports totalled $98.7 billion in the first quarter of 2000, a 14.4% gain compared to the first quarter of 1999.

- Sales to the U.S. accounted for roughly 86% of all exports.

- However, exports to the European Union grew at a slightly faster pace than U.S. exports. Shipments to Japan were down on a year-over-year basis.

By major commodity group, higher prices for crude oil helped boost exports of Energy Products. Major increases were also posted by exports of M&E, Industrial Goods & Materials and Forestry Products.

Merchandise Exports, 2000Q1

	$ Billion	% Change, Jan-Mar/99 - Jan-Mar/00
Total	98.7	14.4
By Trade Partner		
U.S.	84.6	14.7
Japan	2.3	-0.5
E.U.	5.1	16.6
All Others	6.8	15.3
By Principal Commodity		
Agricultural & Fishing Products	6.6	4.5
Energy Products	10.5	90.0
Forestry Products	10.5	13.3
Industrial Goods & Materials	15.6	12.6
Machinery & Equipment	23.8	16.0
Automotive Products	24.8	3.4
Other Consumer Goods	3.5	1.9

Source: Statistics Canada

...leading to a sharply higher trade surplus

Merchandise imports were up 10.5% in the first quarter of 2000 compared to the same period last year.

- The U.S. accounted for three-quarters of all imports, but imports from other trading partners rose at a faster rate.

- As with exports, there was a sharp price-induced increase in imports of Energy Products on a year-over-year basis.

With export growth outpacing import growth, Canada's merchandise trade surplus improved significantly in the first quarter of 2000.

- This improvement is due entirely to a higher trade surplus with the U.S., which jumped up $6.3 billion to $19.3 billion in the first quarter. Deficits with other major trading regions widened on a year-over-year basis.

Merchandise Imports, 2000Q1

	$ Billion	% Change, Jan-Mar/99 - Jan-Mar/00
Total	87.0	10.5
By Trade Partner		
U.S.	65.3	7.4
Japan	2.8	12.9
E.U.	7.9	19.5
All Others	11.1	24.2
By Principal Commodity		
Agricultural & Fishing Products	4.5	3.2
Energy Products	4.0	105.1
Forestry Products	0.7	14.0
Industrial Goods & Materials	17.0	12.7
Machinery & Equipment	28.6	8.9
Automotive Products	19.5	5.8
Other Consumer Goods	9.5	5.7

Balance by Trade Partner, 2000Q1

	$ Billion	Change ($Billion) Jan-Mar/99 - Jan-Mar/00
Total	11.7	4.2
U.S.	19.3	6.3
Japan	-0.5	-0.3
E.U.	-2.9	-0.6
All Others	-4.3	-1.3

Source: Statistics Canada

Domestic Scene

Sectoral Overview

Widespread increases in output in the first quarter of 2000...

Production in goods-producing industries surged 5.4% (annual rate) in the first quarter of 2000, with increases across all major industry groups.

- **A healthy increase in Manufacturing followed on solid gains in 1999. Construction activity also advanced strongly in the first quarter, reflecting strength in residential, non-residential and engineering components.**

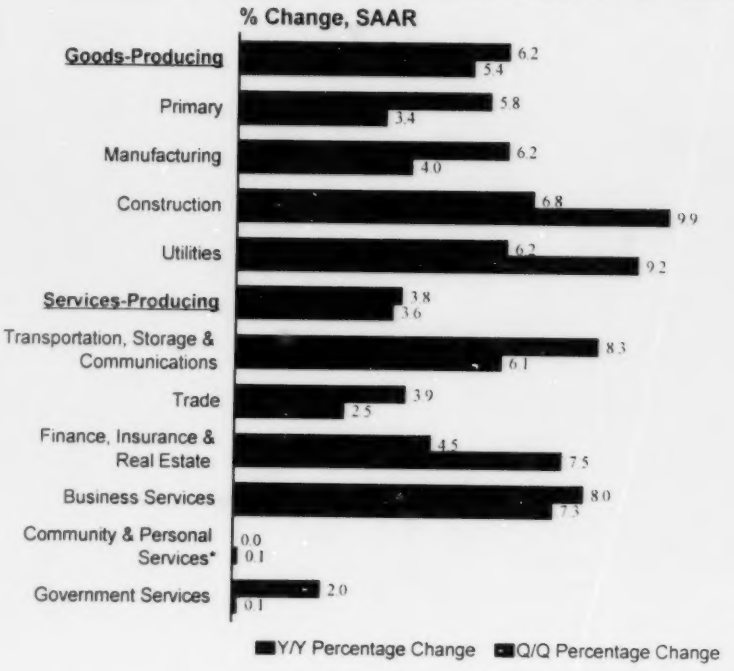
- **Growth in the Primary industries was fuelled by a solid increase in output of crude petroleum and natural gas.**

Services industries increased production by 3.6% (annual rate) in the first quarter.

- **Output gains were led by Finance & Insurance and computer-related Business Services.**

- **Activity in Government Services, Education, and Health & Social Services paused in the first quarter.**

Real GDP Growth by Industry: 2000Q1



Source: Statistics Canada

*Education and Health & Social Services

...push capacity utilization up to near-record levels...

Increased production raised capacity use in Non-farm Goods-producing industries to 87.6% in the first quarter of 2000, the highest level since the mid-1960s.

- **Capacity utilization rose to 87.9% in Manufacturing, one percentage point below its historical peak in 1974.**

- **Other notable increases were in Construction and Mining, where capacity utilization exceeded 90%.**

Despite strong investment, productive capacity has not expanded as fast as increases in output.

Capacity Utilization: Non-farm Goods-producing Industries

	Level (%) 2000Q1	Change (% points) Q/Q	Y/Y	10-year Average
Total Non-Farm Goods-Producing	87.6	1.1	4.3	81.7
Logging & Forestry	92.0	-2.2	6.8	81.3
Mining & Quarrying	93.0	3.2	12.0	84.3
Crude Petroleum & Natural Gas	72.1	0.9	1.6	80.5
Manufacturing	87.9	0.7	3.8	81.0
Durable Goods Manufacturing	90.6	1.6	5.7	80.2
Wood	93.6	3.1	6.8	84.0
Primary Metals	93.1	-1.4	-0.1	88.3
Fabricated Metals	86.9	1.6	5.3	77.0
Transportation Equipment	93.2	0.9	3.5	81.2
Electrical & Electronic Products	94.6	2.6	14.6	78.6
Non-Durable Goods Manufacturing	84.4	-0.4	1.4	81.9
Food Products	81.7	-0.3	1.2	80.1
Plastic Products	85.8	-2.4	3.3	79.3
Paper & Allied Products	94.0	-0.5	4.5	88.8
Printing & Publishing	85.5	0.8	3.9	79.7
Chemical & Chemical Products	78.2	-1.0	-2.9	83.4
Construction	91.8	1.8	4.6	83.2
Electric Power & Gas	88.6	2.1	4.6	82.8
Energy	80.4	1.3	2.5	81.8
Total Excluding Energy	89.1	1.0	4.6	81.6

Source: Statistics Canada

...and drive up profits

Corporate operating profits totalled $53.3 billion in the first quarter of 2000, up 12.3% from the previous quarter.

- **This represents the sixth consecutive quarterly increase in profits, for an accumulated gain of 56.4% since the third quarter of 1998.**

Manufacturers benefited from strong demand in the Canadian and U.S. market. Surging prices for crude oil provided a major boost to profits in the Mineral Fuels industry.

Among the major service industries, profits were up sharply for Professional & Scientific Services, Management of Companies and Other Services to Business.

Operating profits in Financial industries rose 20.1% in the first quarter to their highest level in two and a half years.

Corporate Operating Profits

	2000Q1 Level ($M)	Difference 99Q4-00Q1 ($M)	99Q4-00Q1 (%)	99Q1-00Q1 (%)
Total - All Industries	53289	5841	12.3	37.5
Total Non-Financial	36936	3103	9.2	33.5
Agriculture, forestry, fishing & hunting	489	-39	-7.4	-2.4
Mineral fuels	3429	940	37.8	287.5
Mining except mineral fuels	771	201	35.3	116.0
Utilities	348	-176	-33.6	-43.7
Construction	1039	278	36.5	2.8
Manufacturing industries	14162	1406	11.0	35.5
Wholesale trade industries	3220	192	6.3	57.2
Retail trade industries	2652	-46	-1.7	-8.0
Transportation and warehousing	711	-49	-6.4	41.1
Information and cultural industries	2031	-26	-1.3	54.8
Real estate, rental and leasing	1432	-623	-30.3	-5.0
Professional/Scientific	520	182	53.8	14.3
Management of companies	3928	791	25.2	9.5
Other services to business	123	46	59.7	-6.8
Education services	43	-9	-17.3	-52.7
Health care and social assistance	316	-33	-9.5	-0.3
Arts, entertainment and recreation	57	-11	-16.2	171.4
Accommodation and food services	1152	166	16.8	147.2
Other services	512	-88	-14.7	-2.8
Total Financial	16353	2738	20.1	47.6
Depository credit intermediation	4147	30	0.7	5.8
Non-depository credit intermediation	829	-94	-10.2	14.2
Insurers	1208	332	37.9	-5.8
Funds and other financial vehicles	7971	1879	30.8	123.3
Other financial intermediaries	2198	592	36.9	39.1

Source: Statistics Canada

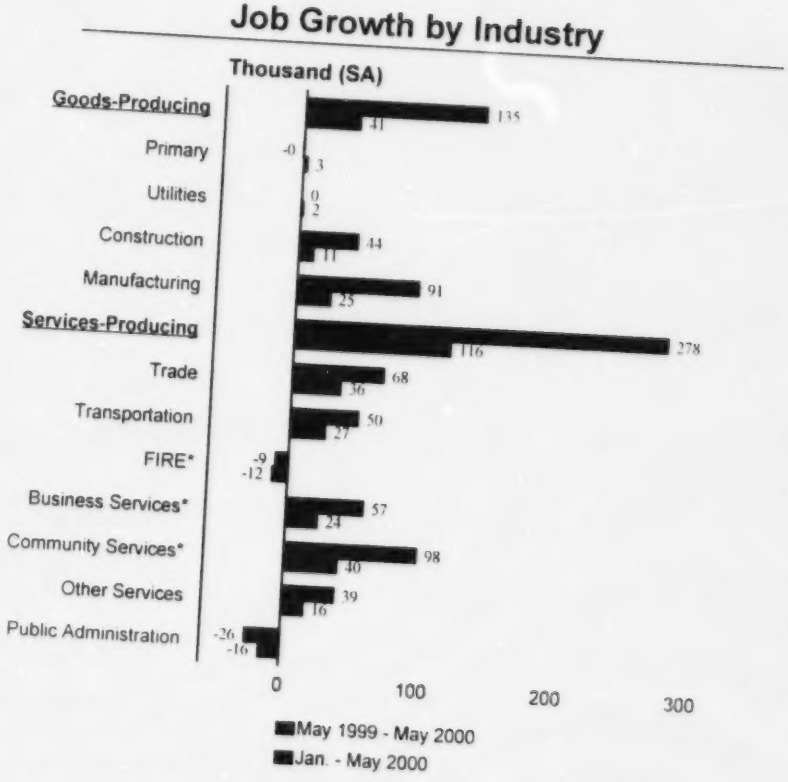
Services drive overall employment gains so far in 2000...

The service sector has been the economy's main engine of job growth so far this year. Over the first five months of 2000, employment in Services-producing industries is up 116,000.

- **Although output has been flat, job gains in Health & Social Services has been very strong. Other notable increases in employment have been recorded in the Trade and Transportation industries.**

Net job gains in the Goods-producing industries so far this year total 41,000.

- **Employment gains are mostly concentrated in Manufacturing and Construction, in line with trends in output.**

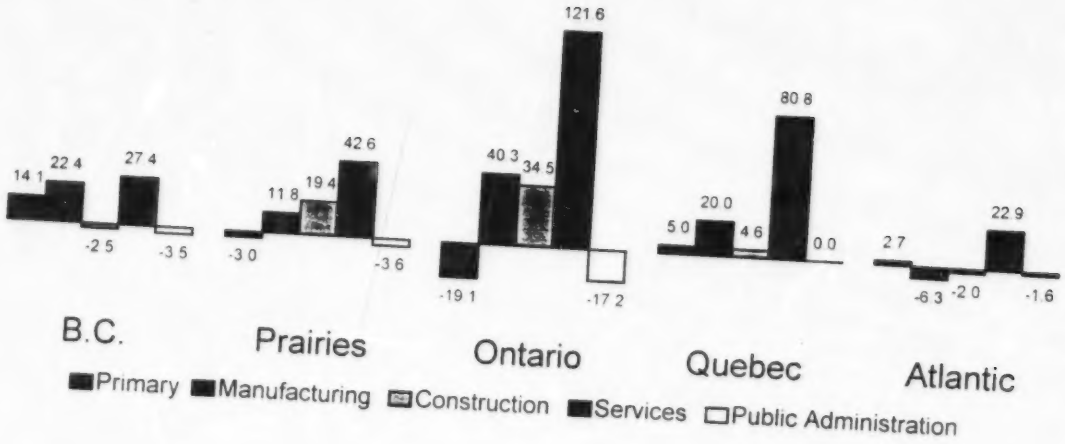


Source: Statistics Canada

*FIRE: Finance, Insurance, Real Estate and Leasing
Business Services: Management, Administrative, Professional, Scientific & Technical Services
Community Services: Educational Services, Health & Social Assistance

...in all regions of Canada...

Job Creation
Thousands
Seasonally adjusted, 3-month moving average
January - May 2000



Since the beginning of the year, Services-producing industries have made the biggest contributions to net employment gains in every region. With the exception of British Columbia and Atlantic Canada, gains in Manufacturing and Construction have also sustained higher employment growth.

Employment in the Primary industries was down in the Prairies and Ontario, while Public Administration recorded losses across the country.

...but wage settlements remain modest

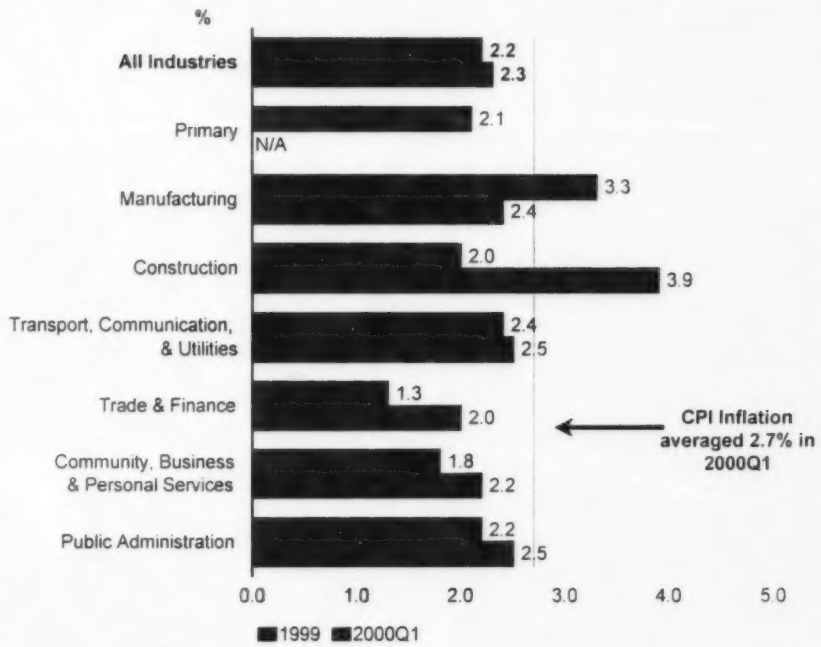
Wage settlements averaged 2.3% in the first quarter of 2000, up marginally from the 1999 average.

- **The largest average settlements were in Construction, an industry experiencing rapid growth. Wage settlements in the booming Manufacturing sector remain modest.**

- **Indeed, except for Construction, wage settlements ran below inflation in all industries in the first quarter.**

Wage settlements in the private sector (+2.8%) outpaced public-sector settlements (+2.3%) in the first quarter.

Wage Settlements by Industry



Effective average annual adjustments in base wage rates from major collective bargaining agreements.

Source: Human Resources Development Canada

For Further Information

We welcome your questions, comments and suggestions? You can reach us by ...

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The *Micro-Economic Monitor* is prepared on a quarterly basis by the Micro-Economic Analysis Directorate of Industry Canada. The Monitor provides a quick and easy-to-read update on Canada's economic performance. It also provides topical in-depth reports on current economic issues from a micro-economic perspective.

The current analysis update was prepared by Marianne Blais, Julie Dubois, Joseph Macaluso, Alison McDermott, and Karen Smith, under the direction of Shane Williamson. Translation has been provided by Lucie Larocque, and Sue Hopf is responsible for administrative support.

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